

**CALIFORNIA HEALTH FACILITIES FINANCING AUTHORITY  
THE HELP II PROGRAM  
EXECUTIVE SUMMARY**

<b>Applicant:</b>	Six Rivers Planned Parenthood ("SRPP") 3225 Timber Fall Court Eureka, CA 95503 Humboldt County	<b>Amount Requested:</b>	\$264,200
		<b>Requested Loan Term:</b>	7 years
		<b>Date Requested:</b>	January 29, 2009
		<b>Resolution Number:</b>	HII-231
<b>Project Site:</b>	3225 Timber Fall Court, Eureka, CA 95503		
<b>Facility Type:</b>	Community Clinic		
<b>Prior HELP II Loan Borrower:</b>	Yes. Paid in full.		

**Background:** SRPP was established in 1975 and provides reproductive health services and education to residents of Humboldt, Trinity and Del Norte counties. Currently, SRPP operates two clinics located in Eureka and Weaverville. SRPP serves 7,500 to 9,500 patients per year with approximately 18,000 patient visits.

**Uses of Loan Proceeds:** Loan proceeds will be used to refinance an existing loan of approximately \$260,000, with a current interest rate of 6.5%. Refinancing this loan at a lower interest rate of 3% will result in an estimated interest savings of approximately \$37,500 over the life of the proposed HELP II loan.

**Financing Structure**

- 7-year fixed rate loan.
- 84 equal monthly payments of approximately \$3,491 (yearly payments of approximately \$41,892).
- Gross revenue pledge.
- First lien position on the property located at 3225 Timber Fall Court, Eureka, CA 95503.
- Loan to value ratio not to exceed 95%, estimated loan to value is 10%, based on estimated \$2.6 million appraisal.

**Financial Overview:** SRPP's income statement appears to exhibit a slight improvement in operating results during our review period. Its balance sheet appears solid with approximately \$3.4 million in total net assets and minimal debt. The proforma debt service coverage ratio for the proposed HELP II loan is a satisfactory 2.59x.

**Sources of Funds**

HELP II Loan	\$264,200
Borrower Funds	<u>13,900</u>
Total Sources	<u>\$278,100</u>

**Uses of Funds**

Refinance current loan	\$272,700
Financing costs	<u>5,400</u>
Total Uses	<u>\$278,100</u>

**Legal Review:** No information was disclosed to question the financial viability or legal integrity of the Applicant.

**Staff Recommendation:** Staff recommends approval of a HELP II loan for Six Rivers Planned Parenthood in an amount not to exceed \$264,200 for a term not to exceed 7 years, and contingent upon financing terms acceptable to the Authority.

**STAFF SUMMARY AND RECOMMENDATION  
THE HELP II PROGRAM**

January 29, 2009

Six Rivers Planned Parenthood ("SRPP")

Resolution Number: HII-231

**I. PURPOSE OF FINANCING**

***Refinance Current Loan* ..... \$ 272,700**

SRPP intends to refinance an existing loan with North Valley Bank. The original loan was used to build the facility (along with funding received from a major capital campaign program) located at 3225 Timber Fall Court, Eureka, CA. The loan has a current interest rate of 6.5%, a balloon payment due in 2012, and a monthly payment of \$4,104. The loan is fully secured on real property located at 3225 Timber Fall Court, Eureka (11,000 square foot facility), which has an estimated value of \$2.6 million based on an appraisal obtained by CHFFA.

In 2002, SRPP purchased the land for \$480,000 to build the above referenced building. SRPP funded the nearly \$2 million in construction costs with a major capital campaign along with financing from North Valley Bank. The refinance of the existing loan will reduce the interest rate from 6.5% to 3.0%, resulting in an interest savings of approximately \$37,500 and allowing SRPP to improve and expand its services.

<b><i>Financing Costs</i> .....</b>		<b><u>5,400</u></b>
Escrow fee .....	\$1,990	
Authority fee .....	<u>3,410</u>	

***Total Uses of Funds* ..... \$ 278,100**

## II. FINANCIAL STATEMENTS AND ANALYSIS

### Six Rivers Planned Parenthood Statements of Activities (Unrestricted)

	<b>For the year ended June 30</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b><u>Support, Revenues and Gains:</u></b>			
Grants, contracts and exchange transactions	\$ 294,110	\$ 340,782	\$ 364,993
Contributions	452,102	752,162	262,769
Special events	60,816	59,886	63,048
Clinic fees	1,862,992	1,582,214	1,431,507
Investments gains	33,679	61,029	29,265
Gain on sale of assets	-	471,544	-
Other	36,954	41,081	11,917
Net assets released from restrictions	1,602	2,080,537	81,805
Total support, revenues and gains	<u>2,742,255</u>	<u>5,389,235</u>	<u>2,245,304</u>
<b><u>Expenses:</u></b>			
Compensation and related expenses	1,751,476	1,725,652	1,623,783
Advertising	5,092	18,986	11,173
Depreciation and amortization	126,331	87,766	46,521
Dues and subscriptions	56,208	58,390	46,571
Equipment	12,890	74,956	15,640
Insurance	50,389	38,329	34,830
Interest	29,913	25,898	244
Maintenance	25,430	29,020	13,485
Other	23,729	28,708	31,353
Postage, printing and brochures	28,169	34,828	34,559
Professional fees-contracted services	116,857	222,398	161,540
Rent	7,164	20,597	11,732
Supplies	421,695	361,201	303,605
Telephone-internet	17,866	20,006	14,981
Travel and conferences	44,253	47,178	52,092
Utilities	26,849	21,085	15,726
Unrealized Loss	45,770	-	-
Total expenses	<u>2,790,081</u>	<u>2,814,998</u>	<u>2,417,835</u>
<b>Change in unrestricted net assets</b>	<b>(47,826)</b>	<b>2,574,237</b>	<b>(172,531)</b>
Unrestricted net assets, beginning of year	3,487,372	912,054	1,078,585
Prior period adjustments	-	1,081	6,000
Unrestricted net assets, end of year	<u>\$3,439,546</u>	<u>\$ 3,487,372</u>	<u>\$ 912,054</u>

**Six Rivers Planned Parenthood  
Statements of Financial Position**

	<b>As of June 30,</b>		
	<b>2008</b>	<b>2007</b>	<b>2006</b>
<b><u>Assets</u></b>			
Current Assets:			
Cash and cash equivalents	\$ 237,455	\$ 649,580	\$ 266,962
Accounts receivable, net	376,390	247,682	178,868
Unconditional promises to give	76,692	157,864	228,758
Grants and contracts receivables	111,981	116,985	92,454
Prepaid expenses	33,422	47,344	58,522
Inventory	67,840	82,294	48,078
Total Current Assets	903,780	1,301,749	873,642
Other Assets:			
Property and equipment, net	2,737,603	2,709,171	2,285,728
Restricted cash and cash equivalents	-	-	5,613
Unconditional promises to give	59,694	92,264	211,661
Board designated endowment	291,929	271,502	231,341
Total Assets	\$3,993,006	\$4,374,686	\$3,607,985
<b><u>Liabilities &amp; Net Assets</u></b>			
Current Liabilities			
Accounts payable	\$ 78,761	\$ 90,309	\$ 337,579
Accrued liabilities	106,971	120,633	107,945
Refundable advances	97,679	128,276	57,461
Credit line payable	-	-	106,499
Current maturities - mortgage payable	5,347	8,751	1,796
Total Current Liabilities	288,758	347,969	611,280
Long-term debt - mortgage payable	262,190	535,231	-
Total Liabilities	550,948	883,200	611,280
Net Assets			
Unrestricted	3,439,546	3,487,372	912,054
Temporarily restricted	2,512	4,114	2,084,651
Permanently restricted	-	-	-
Total Net Assets	3,442,058	3,491,486	2,996,705
Total Liabilities & Net Assets	\$3,993,006	\$4,374,686	\$3,607,985

**Financial Ratios:**

	<b>Proforma (a)</b>			
Debt Service Coverage (x)	<b>2.59</b>	<b>2.80</b>	<b>7.81 (b)</b>	<b>(9.99)</b>
Debt/Unrestricted Net Assets (x)	<b>0.15</b>	<b>0.08</b>	<b>0.16</b>	<b>0.00</b>
Margin (%)		<b>(1.74)</b>	<b>3.52 (b)</b>	<b>(7.68)</b>
Current Ratio (x)		<b>3.13</b>	<b>3.74</b>	<b>1.43</b>

(a) Recalculates 2008 audited results to include the impact of this proposed financing.

(b) The debt service coverage ratio and margin percentage for 2007 reflects the exclusion of \$2.471 million from revenue for being non-recurring items related to the gain on sale of assets and fund raising campaign money released from restrictions.

## **Financial Discussion – Statement of Activities (Income Statement)**

### **SRPP's income statement appears to exhibit an improvement in operating results.**

SRPP experienced operating losses in 2006 and 2008 due to revenues remaining steady while expenses increased.

In FY 2008, SRPP experienced positive cash flow from operations of \$79,000, after adding back \$126,000 for depreciation expense, from the increase in unrestricted assets of \$47,000. SRPP experienced a moderate operating loss of \$47,000, however SRPP's clinic fee revenues increased sharply helping to offset the decline in contributions and grants during difficult economic circumstances. Management has implemented recent cost control measures and expects to have positive operating results in the future.

In FY 2007, SRPP experienced a dynamic increase in revenues due to a gain on sale of assets in the amount of \$471,000. Also during FY 2007, a significant amount of fund raising campaign money was released from restrictions which allowed SRPP to build their new facility located at 3225 Timber Fall Court. Removing these non-recurring revenue items results in basically breakeven operations.

### **Particular Facts to Note:**

- Between October 2002 and March 2006, a major capital campaign raised approximately \$2.6 million in funds (mostly donations and contributions) to build the new facility.

## **Financial Discussion – Statements of Financial Position (Balance Sheet)**

### **SRPP's' balance sheet appears solid with approximately \$3.4 million in total net assets and minimal leverage.**

SRPP's balance sheet appears solid with good liquidity of over \$230,000 in cash and cash equivalents, total net assets in excess of \$3.4 million as of fiscal year ending 2008, and a strong current ratio of 3.13x. SRPP has successfully expanded services to those in need without adding significant long-term debt. SRPP's long-term debt to unrestricted net assets is a very low 0.08x. In addition, the proforma debt service coverage ratio appears a solid 2.59x, indicating SRPP should comfortably be able to repay the proposed loan.

Particular Facts to Note

- In FY 2008, SRPP made a one-time payment \$255,000 on the mortgage loan that was used to build the property located at 3225 Timber Fall Court. SRPP was able to use funds received from pledges to reduce their mortgage and decreased their total liabilities by 38%.

**III. UTILIZATION STATISTICS**

**Clients Served / (Patient Visits)  
Fiscal Year Ended June 30**

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>Totals</b>	9,485 / (17,757)	8,034 / (16,790)	7,380 / (16,242)

**IV. ORGANIZATION**

**Background**

SRPP was founded in 1975 and is a private, non-profit organization with clinics located in Eureka and Weaverville, California. It provides reproductive health services and education to residents of Humboldt, Trinity, and Del Norte counties. Its operation is supported primarily through contract and grant agreements, patient fees, family planning fees, Medi-Cal reimbursements and donor contributions.

SRPP has an operating budget of approximately \$2,800,000 with a 21-member board of directors, 40 full time employees, 20 part time employees and 40 ongoing volunteers. Its education programs reach 70% of children in 7<sup>th</sup>-10<sup>th</sup> grades in local schools, and people of all ages in juvenile hall, homeless and transitional shelters, halfway houses and conservation corps programs. It has 7,500-9,500 patients per year with approximately 18,000 patient visits per year, and 93% of the clients are low income.

## Licenses

SRPP is licensed by the State Department of Public Health Services to operate and maintain community clinic, which is located at 3225 Timberfall Court, Eureka, CA 95503.

## V. OUTSTANDING DEBT

<u>Date Issued</u>	<u>Original Amount</u>	<u>Amount Outstanding* As of June 30, 2008</u>	<u>Estimated Amount Outstanding after Proposed Financing</u>
<b>Existing Long-Term Debt:</b>			
North Valley Bank 1/30/07	\$550,000	\$267,537	\$-0-
<b>Proposed</b> CHFFA HELP II, 2009		N/A	<b>264,200</b>
<b>TOTAL DEBT</b>		<b>\$267,537</b>	<b>\$264,200</b>

\*Includes current portion of long-term debt.

## VI. DUE DILIGENCE:

Due diligence has been completed with regard to the following items:

- Savings Pass Through: SRPP has provided a description of its savings pass through in **Exhibit A**.
- Section 15459.1 of the Act (Community Service Requirement): SRPP has executed this certification indicating that Medi-Cal and Medicare patients are accepted. A copy of the certification is provided as **Exhibit B**.
- Religious Due Diligence
- Legal Review

## VII. STAFF RECOMMENDATION

Staff recommends approval of a HELP II loan for Six Rivers Planned Parenthood in an amount not to exceed \$264,200 for a term not to exceed 7 years, and contingent upon financing terms acceptable to the Authority.